POLESTAR
Insurance Company

ANNUAL REPORT *2021*

What we strive for:
Remaining loyal to our commitment to become the preferred company by providing our customers and partners with Attentive, Agile & Accurate services closely followed by tangible benefits.

Vision

To become a capable and professional leading underwriter recognized for its professionalism, integrity and innovation, making the local market as its home ground with credible and quality service!

Mission

To provide a package of insurance services at the level of international standards to protect interests of our clients.

Primary Goal

To always make the right choices in terms of productivity, risk selection, and pricing.

Core Value

Professionalism, Obligation, Loyalty, Efficiency, Specialization, Transparency, Accountability, Reliability

Business Attitude

Aspiration for greater successes
Technological innovation
Fresh idea & Approach

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MESSAGE FROM THE CEO

Dear Sirs,

On behalf of Polestar Insurance Company (PIC), I would like to brief on the performance of our Company during the financial year 2021 together with our Company's Annual Report.

Last year was a year when tangible achievement in economic management and people's livelihood was noted thanks to the wise leadership of the WPK. As a result, our national economy grew on a stable footing and remarkable successes were made in agriculture and construction even in the national emergency anti-epidemic system to tightly block the influx of virulent virus.

The construction is widely carried out in Pyongyang including 10,000 flats in Songsin and Songhwa area and in other areas and the dairy products production base for our children was built one after another. Moreover, a lot of central and local light industry factories encouraged a great innovation in producing the consumer goods.

Although unfavorable climatic conditions such as droughts and severe heat were predominant throughout the year, the agricultural sector established an efficient program to counter this abnormal climate in advance and apply advanced technology to the cultivation of crops. This resulted in nationwide campaign to turn to the scientific farming and increased the agricultural output.

In keeping with the ever-accelerating national economy, our Company carried on the work properly in various forms and methods to increase the number of insureds in our main business class; fire and agriculture insurance and to constantly improve the level of risk management.

As a result during the year under review, the Company recorded Gross Premium Written (GPW) at KPW 3,588 million, which is a 107.1% increase on the previous year, while it made a net profit of 443 million.

The Company boosted the level of credit among clients by staying up to date on the insured losses from the insured subjects and through prompt payment of compensation totaling KPW 2,637 million. The Company has enjoyed a wider popularity from our clients as they are welcome at any time insofar as we have given full play to the best convenience and kindness in the course of insurance.

In order to strengthen the cooperation with the international partners, the Company made every possible effort in business with the international insurers and reinsurers by attending several international teleconferences and established business relationships with a number of new brokers and reinsurers which provided us with an easier access to the international insurance market.

In order to modernize the Company's business based on the latest technology, the Company established the national inter-company business management system from HO down to the branches. All the officials took an active part in on-line continuous education to improve their professional knowledge as part of the Company's plans to turn everyone into efficient officials with profound knowledge of sci-tech and finance.

This year a second round of 10,000 house construction began in Hwasong area, Pyongyang and national operation and organization for economy is aimed at revitalizing the national economy and improving the people's livelihood.

We would make the best use of the current insurance management system in a more comprehensive way and try to enhance the ability of the staff in terms of science and technology. This would ensure the scientific accuracy, correctness and promptness in the insurance business.

On behalf of Executive Committee of Management of PIC, I would like to take this opportunity and give my best regards to all the staff of the Company who always remained committed to the development of the Company's business.

Last but not least, my special thanks go to every of our clients and friends both at home and abroad who cooperated actively with us.

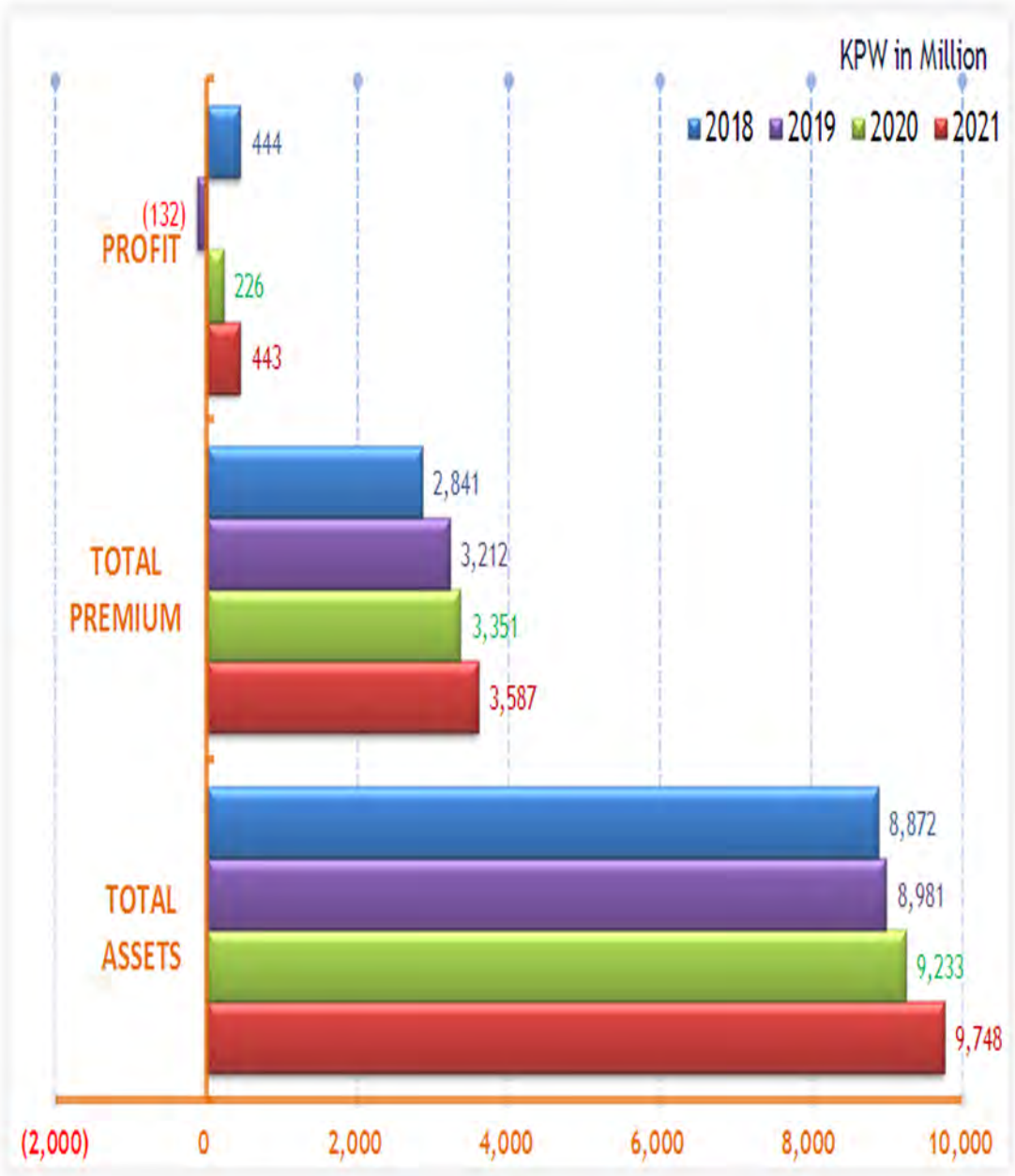
I sincerely wish them an unparalleled success in 2021 as well.

Kim Kyong Hun
CEO, Polestar Insurance Company

2021 FINANCIAL HIGHLIGHTS

KPW in Million

ITEM	2021	2020	2019	2018
Total Assets	9,748	9,233	8,981	8,872
Total Equity	8,584	8,141	7,914	8,046
Paid-Up Capital	3,000	3,000	3,000	3,000
Gross Premium Written	3,587	3,351	3,212	2,841
Net Earned Premium	3,361	3,134	2,820	2,516
Insurance Contract Liabilities	1,132	1,086	973	749
Cash And Cash Equivalents	9,434	8,911	8,765	8,659
Total Liabilities	1,164	1,092	1,066	826
Net Profit/Net Loss	443	226	(132)	444
Combined Loss Ratio (%)	76	85	100	69


KPW in Million
2018
2019
2020
2021
444
(132)
PROFIT
226
443
2,841
TOTAL
PREMIUM
3,212
3,351
3,587
8,872
TOTAL
ASSETS
8,981
9,233
9,748
(2,000)
0
2,000
4,000
6,000
8,000
10,000

ASSESSMENT OF THE COMPANY IN 2021

1. Gross Premium Written

The main yearly income of the Company is direct insurance premium written by domestic market.

Turnover of the Company grew to KPW 3,588 million during the year under review, which showed an increase of more than 7.1% from KPW 3,351 million in 2020.

2. Gross Premium Written by Class

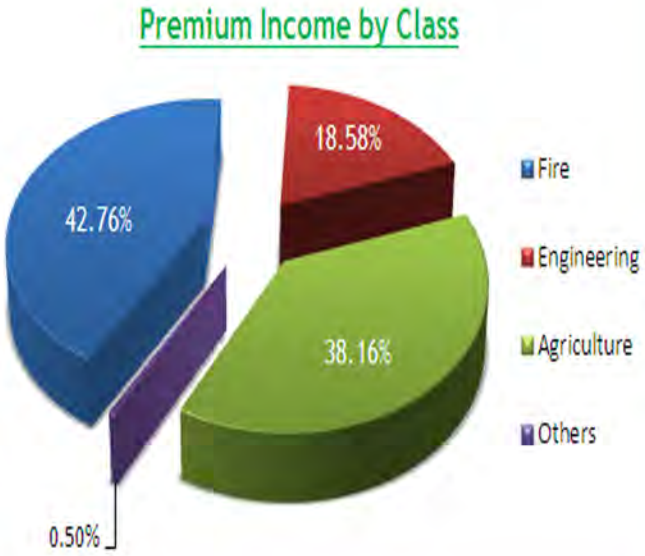
During the year, Fire insurance enjoys the biggest share of the total portfolio.

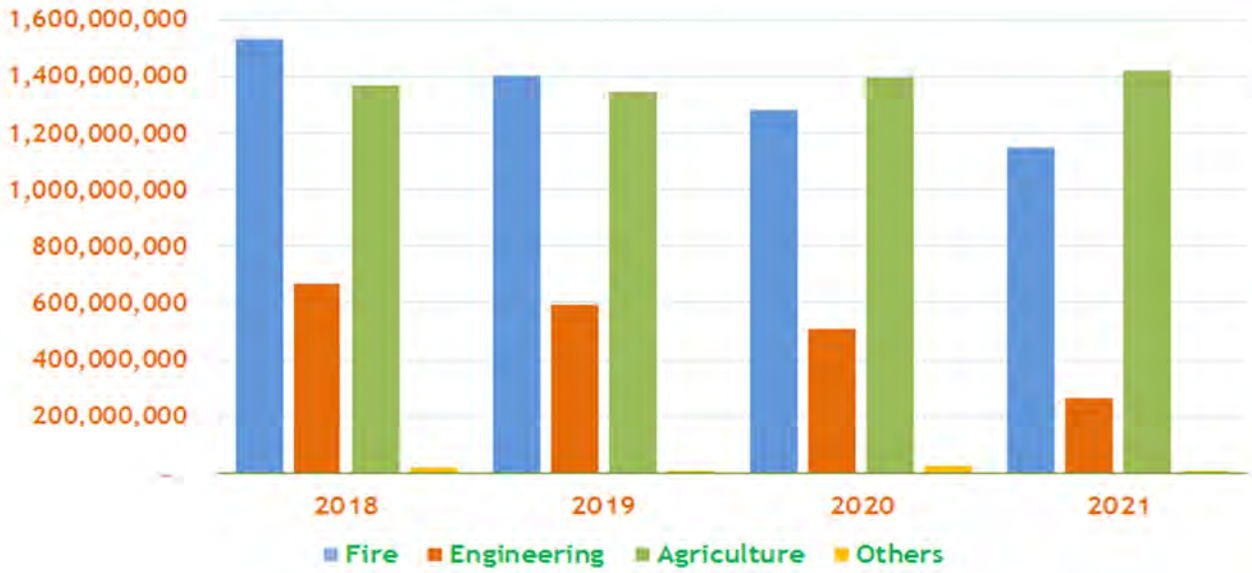
It is 1,534 million and accounts for 42.8% of Gross Premium Written.

Agriculture insurance premium income amounted to 1,369 million, which accounts for 38.2% of Gross Premium Income.

Engineering insurance premium income is 667 million, which accounts for 18.6%.

The Others such as Travel and Credit insurance account for 0.5 % of Gross Premium Written.





3. Premium Income Growth Trends

KPW in Million

Class	2018		2019		2020		2021	
	GPW	Rate	GPW	Rate	GPW	Rate	GPW	Rate
Fire	1,152	*67.2%*	1,282	*11.3%*	1,401	*9.2%*	1,534	*9.5%*
Engineering	262	*16.0%*	509	*93.9%*	595	*16.9%*	667	*12.1%*
Agriculture	1420	*53.2%*	1,395	*-1.8%*	1,346	*-3.5%*	1,369	*1.7%*
Others	7	*11.5%*	26	*265.5%*	9	*-66.6%*	17	*102.2%*
Total	**2,842**		**3,213**		**3,351**		**3,588**	

4. Portfolio in 2021

Fire Insurance

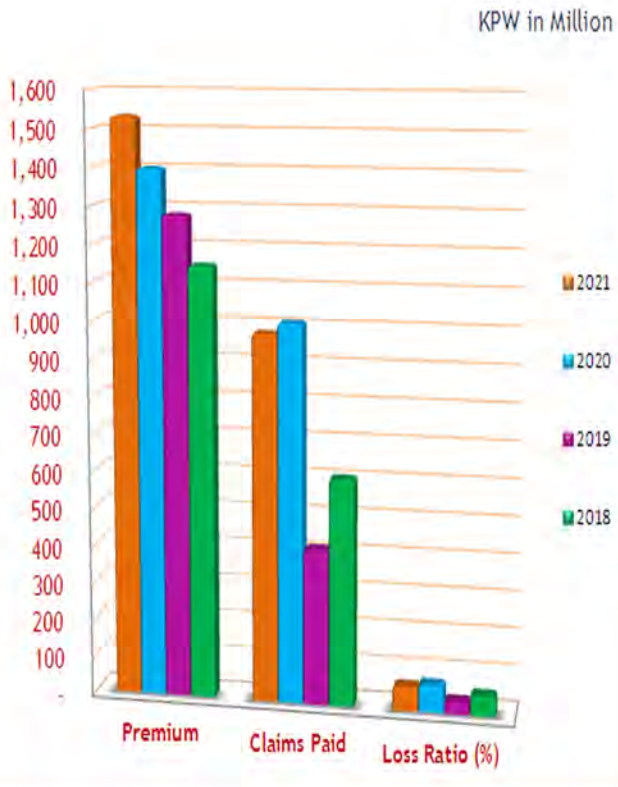
In 2021, the rapid growth in fire insurance segment continued to be a driving force behind a boost for the Company's overall business.

We served our customers to be insured including institutions and enterprises in such a way that their needs for cover the fire risk could be best suited as per their business features, types of properties and various activities of introduction and propaganda constantly attracted fire insureds.

As a result, insurers increased to 112% in 2021 and the gross premium written in fire insurance rose to 109.5%, to 1,534 million year-on-year.

Insurance indemnification for the given type of insurance was KPW 981 million, which is 97.1% of 2020 and loss ratio also by 66.4% from 76.1% in 2020.

This explains that we raised the level of risk management for insured subjects and took the proper safety steps.



Engineering Insurance

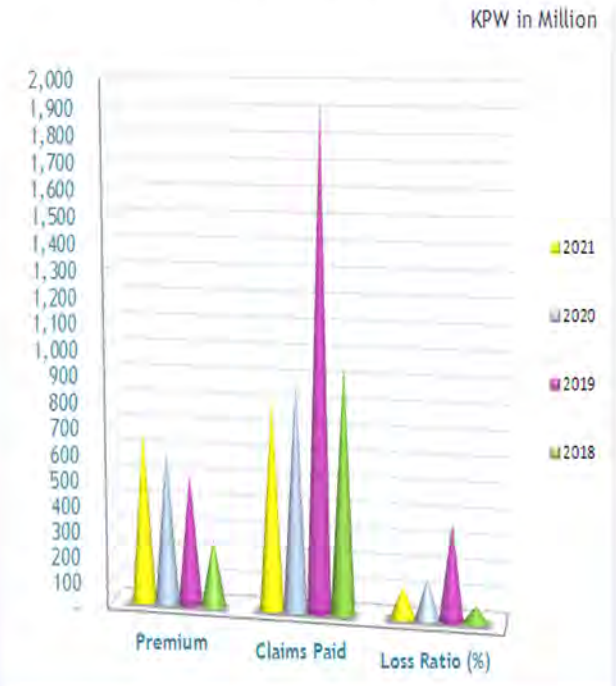
Last year new production bases were built and manufacturing processes falling behind were modernized in several fields of the national economy and necessary processes were reinforced to expand production capacity.

In contrast to other types of insurance, as construction progresses, the value and risk of insurance subjects increase and various types of risks are inclusively insured.

The Company established our own risk managing technology to analyze risks to different types of insurance subjects correctly and manage them.

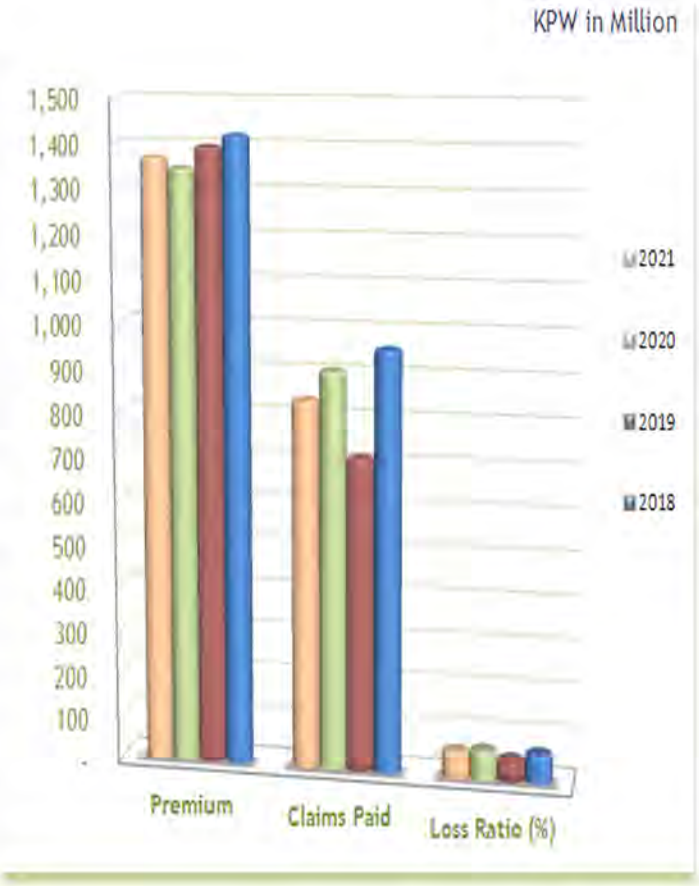
On the basis of this technology the Company tended to limit engineering insurance for highly risky objects to increase insurance one.

The gross premium written of engineering insurance business climbed to KPW 667 million, which is a 112.1% increase compared to the previous year, especially the compensation amounted to 813 million, representing a decrease of 9.3% year-on-year.



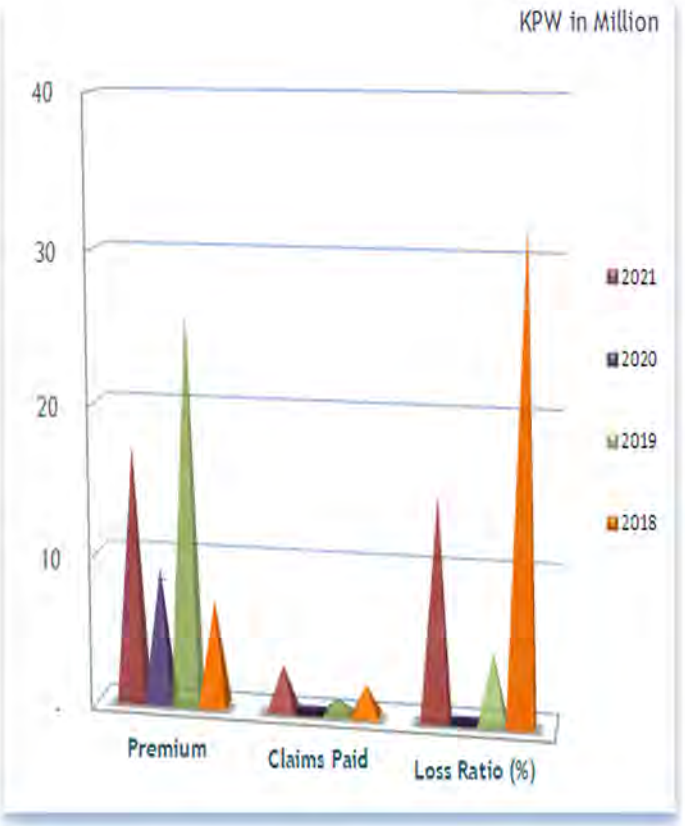
Agriculture Insurance

Our country has a limited cultivated field.
However, our Party Policy encourages the increase of grain production by introducing double-crop method, organic farming to increase the fertility of soil, a high-yield method and good strains of seed.
In accordance with the policy of developing agriculture of the Party and the State, we regard the main crops-rice, maize and potatoes -as the main insurance subjects and fruit farming and fish farming insurance are chosen based on the characters of units and organized reasonably.
As a result, the agriculture insurance takes the second place after fire insurance in gross premium of our Company.
The gross premium written in this field increased to KPW 1,369 million in 2021, representing an increase by 101.7% year-on-year.
Insurance indemnification for given type of insurance was KPW 840 million, 92.7% of previous year and loss ratio decreased representing a decrease to 61.3% from 67.3% in 2020.
The State took steps to increase the area for cultivating wheat and barley this year.
So the Company is going to organize insurance to ensure wheat and barley actively to support sustainable development of agriculture insurance.



Others

Meanwhile, the Company has organized Credit and Travel Insurance.
2021 was a second year of the health crisis around the world when the preventive measures against epidemics within the country were further strengthened by raising the level of the anti-epidemic social consciousness and introducing the scientific disinfection methods.
Thanks to this, the volume of transport for passengers as well as for import and export cargoes was gradually increased over the previous year. Therefore the credit insurance witnessed the trend of increase in the number of contracts and the premium income.
Last year, national recreational facilities resumed their service and this led to the increase in travel insurance.
Due to the health crisis, the state took several preventive measures against epidemics in 2020. But last year there was a noteworthy increase in the travel insurance business according to the renewed measure to permit the residents to travel freely in the country.
As result, the gross premium written in 2021 was KPW 17.9 million which is a 102% increase, compared over KPW 8.87 million in 2020.



Overall

The Company's total premium income in 2021 went up by 7.1% to KPW 3,588 million, while claims paid of KPW 2,637 million were recorded.

CORPORATE PROFILE

1. Establishment and Principal Activities

Solid and Independent Insurer

- A non-life insurance underwriting firm fully capitalized in line with statutory requirement of the regulatory authority -State Insurance Commission.
- Established on 22nd August 2016 and commenced its operations in September the same year
- Carved out a niche for itself through transactions in non-life insurance underwriting including Fire, Engineering and Agricultural Insurance, amongst others

Principal Activities

- Principally engaged in providing customers with various kinds of insurance cover
- Both corporate and individual customers benefiting from our non-life insurance services

2. Insurance Programme

Fire insurance is by far the most essential insurance product sought by most economic entities and has the largest market share.

Fire insurance policies comprise of three policies such as fire insurance policy, fire business interruption policy and all-risk industrial risk policy and each policy will indemnify the loss caused by the inherent risks covered including material damage and loss of profit resulting from fire, explosion, lightning and natural catastrophes.

Everyone buying our fire insurance policies is always entitled to live and work in happiness and peace.

In the future, the Company is going to add more lines to fire insurance as befits the needs of all people for fire insurance coverage.

Engineering insurance includes machinery breakdown insurance, machinery breakdown & loss of profit insurance, civil engineering completed risks insurance and offers coverage for damage to and loss of machinery occurring in the course of construction.

Competitive premium rate, deductibles and comprehensive insurance coverage are now applied to engineering insurance, and machinery breakdown & loss of profit insurance in particular to cater for the insureds' needs.

Streamlined and client-oriented application and claims process and more favourable terms of insurance have proved to be pivotal to the success of engineering insurance.

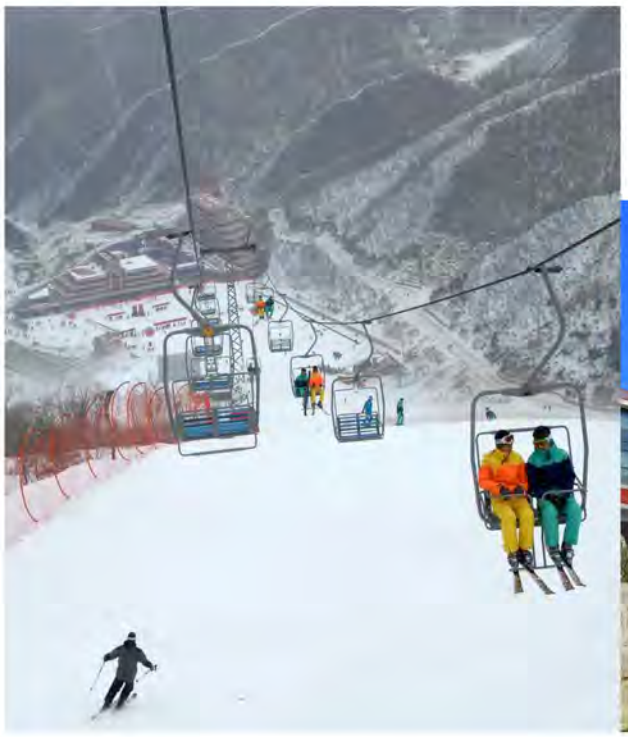
Based on our own experiences in insurance of Engineering risks and also due to analysis of practice of the companies in the insurance of Engineering risks and in view of tendencies of increased intensity and reduced terms of construction process, the company will continue to expand its position in the Engineering insurance market by launching insurance of larger and unique construction projects on the further improvement of technology of underwriting and supporting of the concluded construction risks insurance contracts.

The agriculture insurance continues to be the major source of income for the Company.
In agriculture insurance, we underwrite rice, maize, potatoes and cash crops cultivated as main staples in cooperative farms. We are in constant move to expand our agricultural insurance into orchard, fish and aquaculture farms.

The Company intends to apply comprehensive crop insurance coverage to cash crop and introduce weather-index insurance and livestock insurance in the coming year in order to satisfy various demands of farms for insurance.

Credit insurance covers not only commercial risks prevailing in international trade like importer's bankruptcy or failure of repayment but also non- commercial risks like payment obstacles, ban or restriction on foreign exchange and transmittance caused by severe economic turmoil in a debtor's country. The Company will reinforce the client-centric philosophy, accelerate business innovations, and further improve the customer experience of credit insurance services.

Travel Insurance is gaining momentum thanks to the active development of tourism in the country.
A lot of up-to-date recreational facilities such as Masikryong Ski Resort and Yangdok Hot Spring Resort have been built in recent years for our people's sake across the country.
Everyone looks forward to traveling to recreational facilities and scenic spots throughout the country, and the number of travelers is on the increase.
Being aware of the significance and long-term perspective of this insurance product, the Company will develop a number of complex measures and resolved a number of issues that will ensure for the Company the place of an absolute leader in this segment in a very short period.



3. Reinsurance Programme

Polestar Insurance Company maintains as its main policy in underwriting to base self-deductibles and reinsurers' share on risk status, capital, direct insurance underwriting results, reinsurance market environment and other relevant factors.
In anticipation of failure to collect reinsurance claims amount from reinsurers due to bankruptcy, the Company has set strict internal guidelines regarding their credit status.

In accordance with the guidelines, the Company sees to it as part of alleviating credit risks that it chooses a reinsurer accredited with a certain credit rating and refrain him from excessive quota share being offered.

The Company also takes the following factors into consideration when it deals with inward reinsurance portfolios.

- to consider each and every contract in multilateral aspect regarding risks and recovery balance.
- to review the inward reinsurance outcome at regular intervals and reflect it in the Company's policy.
- to make use of modeling with regard to natural catastrophe risks and assess exposure to risks in quantitative and statistical terms
- to make inward reinsurance underwriting practice as diversified as possible to prevent risk exposure from being accumulated in a certain country or region or risk spread from being too imbalanced.

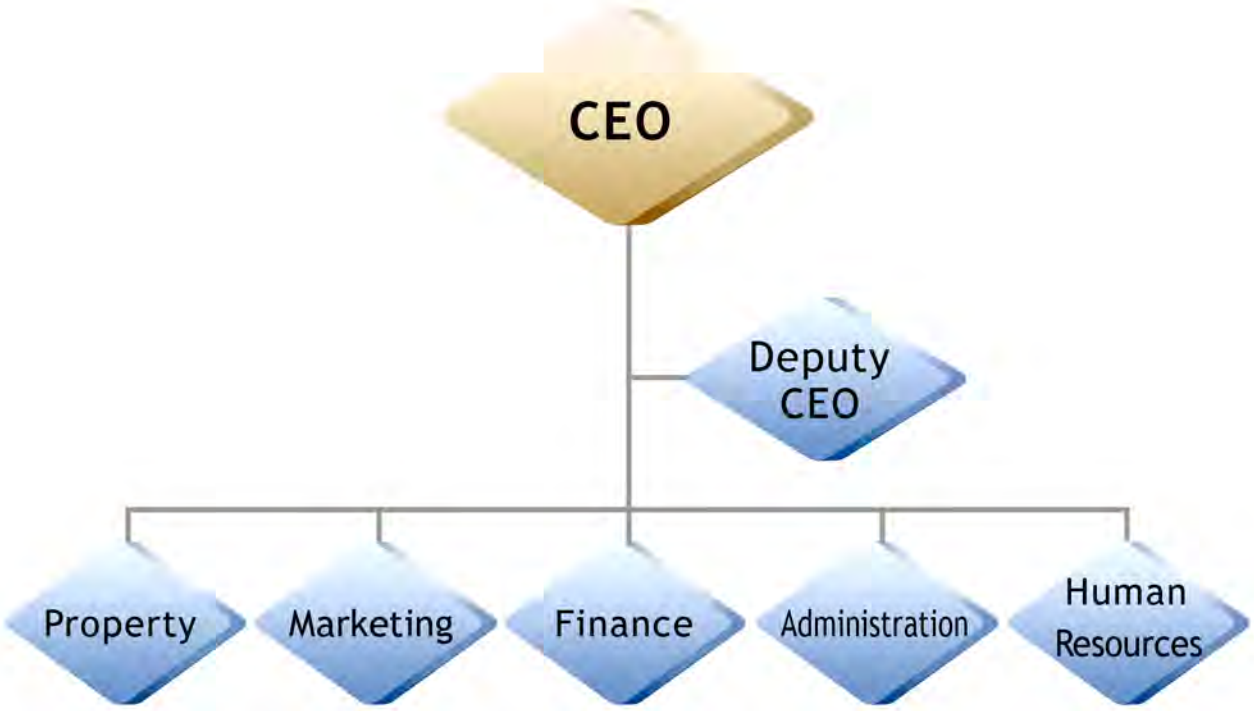
4. Sales Channel

With the head office in Pyongyang, the business network comprises 12 Regional Branches Offices and 108 local agencies throughout the country, which ensures maximum outreach and complete accessibility to its customer base.

It is tapping into this previously remote customer network thus ever-broadening its experience at the same time.

The optimization of the Company's sales structure went on with a view to increase the share of direct sales and sales efficiency through branches and agencies and the Company is expecting their contribution to be excellent and profitable.

5. Structure and Personnel



The Company adapts its internal organization to its business development requirements, in accordance with the established business policy.

Within the Company, the insurance-related activities are performed on functional and territorial principles. The performance according to the function is organized through the Company Head Office. The performance upon the territorial principle is organized through the insurance Main Branch Offices.

Every staff enjoys the matrix structure of the company, which strongly contrasts with the conventional hierarchy structures.

6. Efforts for International Marketing

(1) Domestic Credit Rating

In 2019, Ministry of Finance confirmed that the Company has excellent level of management and financial reliability.

This confirmation is the best domestic appraisal of the Company's finance and credit and it provides the Company with favorable conditions and circumstances for expansion of penetration and obtaining of clients in domestic insurance market.

Not content with the success PIC has already achieved, it will brace itself for the further development.

(2) Membership

The Company is a member of the Federation of Afro-Asian Insurers & Reinsurers "FAIR", a professional organization that is aiming at promoting cooperation among insurance and reinsurance companies in Africa and Asia through the regular exchange of information, expertise and the development of reinsurance relations.

(3) International Credit Rating

In order to create a more favorable climate for entering the international reinsurance market, the Company is planning to push forward actively for crediting rating from authorized rating company which the Company will contact and provide with impartial and transparent relevant data.

HUMAN RESOURCES

Driving our Success

The entire staff are our most valuable resource and the greatest assets, helping us to achieve our goals and growth aspirations and to gain a competitive advantage through strong customer interactions.

The Company demonstrates high levels of appreciation and trust towards its employees, who with their diverse qualifications and personalities ensure our business' success.

Policy

Utmost importance is given to our employees as they are the ones to undertake the biggest duty in carrying out the key policies of our new business.

For this reason, the primary goal of our human resources policy and practice is to identify our company's needs for personnel in line with its objectives and strategies and assist the creation of human resources that are open to change and are focused on the nearest success by recruiting high-quality people, motivating them, evaluating their performance, and encouraging interaction and communication among individuals and groups.

Performance Management

We have established the criteria for assessing the ability of employees and carry out a proper evaluation every month accordingly.

On the basis of the results of these performance evaluations, an employee's training needs are identified and a career plan is developed.

Training

Knowledge and technology are the main pillars on which the Company relys in realizing the desired development of the domestic insurance industry. Therefore, the Company's principal objective is to focus on adopting new technologies and providing its employees with the state-of-the art innovations through training and outstanding working environment.

Orientation training and basic insurance training are given to new-hires;
the training programs needed at any stage of their careers are identified for all employees so as to develop and equip them with the competencies called for by their positions.

The Company also helps its employees to prusue a career as insurance experts in the specific classes as well as managerial staff.

Looking ahead, we would constantly carry out a long-term plan to provide our clients with quality products and services exceeding their expectations.

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

As at 31st December 2021

All figures in KPW

No	ASSET	2019	2020	2021
1	Cash and cash equivalents	8,764,607,867	8,911,269,483	9,434,495,890
2	Reinsurer's share of insurance contract liabilities	-	67,100,551	70,896,619
3	Account receivables	7,395,000	23,018,530	15,909,141
4	Deferred acquisition cost	-	29,949,298	31,418,133
5	Prepayment	365,038	507,127	511,205
6	Property, plant and equipment	194,776,000	187,832,700	180,871,160
7	Intangible assets	13,412,960	13,071,664	13,719,713
TOTAL ASSETS		8,980,556,865	9,232,749,352	9,747,821,861
No	**LIABILITIES AND EQUITY**	**2019**	**2020**	**2021**
LIABILITIES				
1	Insurance contract liabilities	973,119,845	1,086,409,959	1,131,871,083
1)	Provision for unearned premiums	895,619,845	998,309,959	1,047,271,083
2)	Provisions for outstanding claims	77,500,000	88,100,000	84,600,000
2	Other liabilities	93,165,401	5,689,538	32,231,428
	TOTAL LIABILITIES	1,066,285,246	1,092,099,497	1,164,102,511
EQUITY				
3	Paid-up capital	3,000,000,000	3,000,000,000	3,000,000,000
4	Organization fund	2,000,000,000	2,000,000,000	2,000,000,000
5	Contingency reserve	2,000,000,000	2,000,000,000	2,000,000,000
6	Retained earnings	914,271,619	1,140,649,855	1,583,719,350
	TOTAL EQUITY	7,914,271,619	8,140,649,855	8,583,719,350
TOTAL LIABILITIES AND EQUITY		8,980,556,865	9,232,749,352	9,747,821,861

INCOME STATEMENT

For the year ended 31st December 2021

All figures in KPW

		2019	2020	2021
1	**Net earned premium**	**2,819,703,772**	**3,133,676,133**	**3,361,195,683**
1)	Gross premium written	3,213,157,061	3,351,043,678	3,588,359,459
2)	Change in unearned premium	(184,797,749)	(102,690,115)	(48,961,124)
3)	Premiums ceded	(208,655,541)	(176,128,620)	(181,811,082)
4)	Change in reinsurer's share of provision for unearned premiums	-	61,451,189	3,608,430
2	**Net claims incurred**	**(2,808,090,201)**	**(2,675,959,683)**	**(2,567,206,651)**
1)	Gross paid loss	(3,057,030,319)	(2,812,201,173)	(2,636,917,520)
2)	Reimbursement of claims for risks ceded to reinsurers	319,045,118	141,192,128	66,023,231
3)	Change in outstanding losses	(70,105,000)	(4,950,638)	3,687,638
3	**Net acquisition costs**	**(141,523,042)**	**(117,415,541)**	**(142,210,097)**
	Net insurance business result	**(129,909,472)**	**340,300,908**	**651,778,936**
4	**Other income**	**32,214,679**	**31,005,313**	**31,076,508**
5	**General and administrative expenses**	**(32,990,408)**	**(46,956,741)**	**(49,043,022)**
6	**Other expenses**	**(1,101,000)**	**(952,000)**	**(856,000)**
7	**Profit/loss before payment to state**	**(131,786,200)**	**323,397,480**	**632,956,422**
8	**Payment to state**	**-**	**(97,019,244)**	**(189,886,927)**
PROFIT/LOSS FOR THE PERIOD/YEAR		**(131,786,200)**	**226,378,236**	**443,069,495**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2021

All figures in KPW

	Paid-up capital	Organization fund	Contingency reserve	Retained earnings	Total equity
Balance as at 1st January 2020	3,000,000,000	2,000,000,000	2,000,000,000	914,271,619	7,914,271,619
Profit/loss for the period/year	-	-	-	226,378,236	226,378,236
Transfer to contingency reserve	-	-	-	-	-
Dividends relating to prior periods paid during the year	-	-	-	-	-
Balance as of 31st December 2020	3,000,000,000	2,000,000,000	2,000,000,000	1,140,649,855	8,140,649,855
Balance as at 1st January 2021	3,000,000,000	2,000,000,000	2,000,000,000	1,140,649,855	8,140,649,855
Profit/loss for the period/year	-	-	-	443,069,495	443,069,495
Transfer to contingency reserve	-	-	-	-	-
Dividends relating to prior periods paid during the year	-	-	-	-	-
Balance as of 31st December 2021	3,000,000,000	2,000,000,000	2,000,000,000	1,583,719,350	8,583,719,350

CASH FLOWS STATEMENT

For the year ended 31st December 2021

All figures in KPW

		2019	2020	2021
1	**Operating activities**			
	Cash generated from operations	**115,007,609**	**246,207,160**	**716,863,369**
	Payment to state	**-**	**(97,019,244)**	**(189,886,927)**
	Net cash flows from operating activities	**115,007,609**	**149,187,916**	**526,976,442**
2	**Investing activities**			
	Purchase of property, plant and equipment	(8,232,000)	(1,526,300)	(1,660,690)
	Purchase of intangible assets	(1,205,920)	(1,000,000)	(2,089,345)
	Net cash flows from investing activities	**(9,437,920)**	**(2,526,300)**	**(3,750,035)**
3	**Financial activities**			
	Net borrowing	-	-	-
	Dividends paid	-	-	-
	Net cash flows from investing activities	-	-	-
4	**Net change in cash and cash equivalents**	**105,569,689**	**146,661,616**	**523,226,407**
5	**Cash and cash equivalents at beginning of year**	**8,659,038,178**	**8,764,607,867**	**8,911,269,483**
	Cash and cash equivalents at end of year	**8,764,607,867**	**8,911,269,483**	**9,434,495,890**

AUDITOR'S REPORT

To CEO of Polestar Insurance Company

Report on the Financial Statements

We have audited the accompanying financial statements of Polestar Insurance Company (the Company) which comprise the Balance Sheet as at 31st December 2021 and the Income Statement and Cash Flow Statement for the year then ended as set out below.

The Company's responsibility for the financial statements

The Company is responsible for the preparation and fair presentation of these financial statements that give a true and fair view in accordance with the requirement of the Financial Law, Accounting Law and Audigint Law of DPR Korea.

Auditor's responsibility

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with the Law of DPK Korea on Auditing.
Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.

The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditors' opinion

In our opinion, the accompanying financial statements give a true and fair view of the balance sheet of Polestar Insurance Company ("the Company") as at 31st December 2021, and of the Company's Income Statement and cash flows for the year then ended in accordance with the Law of DPK Korea on Auditing.

Han Myong Il, Director, Pyongyang Office of Auditors of DPR Korea

O Un Hyang, Manager, Pyongyang Office of Auditors of DPR Korea

Pyongyang, 24th March, 2022

When lost in the dark, you always need a GUIDING STAR

Please feel free to contact us, if interested.

Polestar Insurance Company

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